

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company,)	
Proposal to establish Rider PORCB)	
(Purchase of Receivables with Consolidated Billing))	Docket No. 10-0138
and to revise other related tariffs.)	

Direct Testimony of
ROBERT GARCIA
Manager, Regulatory Strategies and Solutions
Commonwealth Edison Company

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1 **I. Introduction and Purpose**

2 **A. Identification of Witness**

3 **Q.** What is your name and business address?

4 **A.** Robert Garcia, Commonwealth Edison Company (“ComEd” or “Company”), 440 South
5 LaSalle Street, Suite 3300, Chicago, Illinois 60605.

6 **Q.** By whom are you employed and in what capacity?

7 **A.** I am employed by ComEd as its Manager, Regulatory Strategies and Solutions.

8 **B. Purposes of Testimony**

9 **Q.** What are the purposes of your direct testimony?

10 **A.** The purposes of my direct testimony are to:

- 11 (1) Provide an overview of ComEd’s direct testimony;
12
13 (2) Support the discount rate and cost recovery mechanisms established in new Rider
14 PORCB – Purchase of Receivables with Consolidated Billing (“Rider PORCB”) and the proposed tariff revisions to Rider RCA – Retail Customer Assessments
15 (“Rider RCA”) and associated terms and conditions, which provide for the
16 recovery of the incremental costs associated with ComEd’s purchase of
17 receivables from alternative retail electric suppliers and electric utilities other than
18 the electric utility in whose service area the retail customers are located
19 (collectively, “RESs”) for the electric power and energy supply service provided
20 by such RESs to retail customers;
21
22 (4) Sponsor additional, clarifying revisions to Rider PORCB, which could not be
23 made at the time the tariff was filed;
24
25 (5) Support the proposed tariff revisions to General Terms and Conditions regarding
26 the disconnection of service;
27
28 (6) Introduce changes to the switching rules set forth in Rate BES – Basic Electric
29 Service (“Rate BES”), Rate BESH – Basic Electric Service Hourly Pricing (“Rate
30 BESH”), Rate RDS – Retail Delivery Service (“Rate RDS”), Rate RESS – Retail
31 Electric Supplier Service (“RESS”) and Rate MSPS – Metering Service Provider
32 Service (“Rate MSPS”), which will provide for the orderly switching of
33 potentially large numbers of customers stemming from the availability of Rider
34 PORCB and additional consumer protections; and
35
36

(7) Describe and introduce the formal agreement reached by Illinois Competitive Energy Association (“ICEA”), the Retail Energy Supply Association (“RESA”) and ComEd, as well as the informal agreement reached by the Citizens Utility Board (“CUB”) and ComEd.

C. Summary of Conclusions

Q. What conclusions are reached in ComEd’s direct testimony?

A. New Rider PORCB and the proposed changes to Rider RCA and General Terms and Conditions, which provide for ComEd’s purchase of receivables from RESs for the electric power and energy supply service provided by such RESs to retail customers and for the recovery of the costs ComEd incurs in providing service under Rider PORCB, are just and reasonable and should be approved.

In addition, as described in more detail by Mr. Mittelbrun, the proposed changes to the switching rules reflected in Rate BES, Rate BESH, Rate RDS, Rate RESS and Rate MSPS and the proposed changes to Rider SBO – Single Bill Option (“Rider SBO”), are just and reasonable and should be approved.

D. Identification of Exhibits

Q. What exhibits are attached to and incorporated in your direct testimony?

A. I have attached the following exhibits to my testimony:

The following exhibits are attached to my direct testimony:

ComEd Exhibit 1.1 – Proposed Rider PORCB

ComEd Exhibit 1.2 – Proposed Revisions to Rider RCA

ComEd Exhibit 1.3 – Agreement with ICEA and RESA

ComEd Exhibit 1.4 – Proposed Revisions to General Terms and Conditions

ComEd Exhibit 1.5 – Proposed Revisions to Rate BES

ComEd Exhibit 1.6 – Proposed Revisions to Rate BESH

ComEd Exhibit 1.7 – Proposed Revisions to Rate RDS

ComEd Exhibit 1.8 – Proposed Revisions to Rate RESS

ComEd Exhibit 1.9 – Proposed Revisions to Rate MSPS

ComEd Exhibit 1.10 – Proposed Revisions to Rider SBO

E. Introduction of ComEd Witnesses

Q. What issues do ComEd witnesses address in direct testimony?

A. In addition to my direct testimony, the purposes of which are previously described, ComEd is submitting the direct testimony of John Mittelbrun, ComEd’s Manager, Regulatory Implementation. Mr. Mittelbrun describes the costs ComEd anticipates that it will incur to modify its billing and related systems to enable it to reflect on applicable retail customer bills the charges associated with the receivables purchased from RESs under Rider PORCB. These include costs associated with (i) the redesign of ComEd’s bills, (ii) upgrade of ComEd’s Choice Electronic Data Interchange infrastructure, and (iii) modifications to ComEd’s customer billing system. Mr. Mittelbrun will also explain the necessary changes to the business rules affecting switching and rescission of Direct Access Service Requests (“DASRs”) for mass market accounts and proposed revisions to Rider SBO.

II. Background and Experience

Q. What are your duties and responsibilities in your current position?

A. I have served in my current position since March 2008. I am responsible for managing the activities of the Regulatory Strategies and Solutions Department of ComEd. My department is responsible for the analysis and development of strategic policy for

ComEd's distribution business. These responsibilities give me a central role in the development of many of ComEd's new tariffs.

Q. What is your educational background and professional experience?

A. I have an *Artium Baccalaureus* (or Bachelor of Arts) degree in both Political Science and French from Wabash College (Crawfordsville, IN) and a Master of Public Administration degree from the School of Public and Environmental Affairs at Indiana University (Bloomington, IN) with concentrations in Policy (Quantitative) Analysis and International Affairs. I also obtained a Certificat De Langue Et Civilisation Française from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate work, studied French and European government at the École Nationale D'Administration (Paris, France).

I have been employed by ComEd since April 2001. I began my employment with ComEd in the Regulatory Department as a Regulatory Specialist and moved on to the position of Senior Regulatory Specialist before obtaining my current position.

Prior to joining ComEd, I worked for nearly nine years at the Illinois Commerce Commission ("Commission"), beginning in 1992 as an intern in the then Office of Policy and Planning in the Springfield office and ending in 2001 as the senior policy advisor to a Commissioner in the Chicago office. I initially joined the Commission Staff through the James H. Dunn Memorial Fellowship program, a one-year program sponsored by the Office of the Governor. Through this Fellowship, I also held short-term positions in the Bureau of the Budget and the Governor's Legislative Affairs Office

III. Overview of Tariff Filing

107 **Q. What is the purpose of ComEd's filing of Rider PORCB and related tariffs?**

108 **A.** The primary purpose of ComEd's filing is to implement Section 16-118(c) of Public
109 Utilities Act ("PUA" or "Act") (220 ILCS 5/16-118(c)), which provides as follows:

110 An electric utility with more than 100,000 customers shall file a tariff pursuant to
111 Article IX of this Act that provides alternative retail electric suppliers, and electric
112 utilities other than the electric utility in whose service area the retail customers are
113 located, with the option to have the electric utility purchase their receivables for
114 power and energy service provided to residential retail customers and non-
115 residential retail customers with a non-coincident peak demand of less than 400
116 kilowatts. Receivables for power and energy service of alternative retail electric
117 suppliers or electric utilities other than the electric utility in whose service area
118 the retail customers are located shall be purchased by the electric utility at a just
119 and reasonable discount rate to be reviewed and approved by the Commission
120 after notice and hearing. The discount rate shall be based on the electric utility's
121 historical bad debt and any reasonable start-up costs and administrative costs
122 associated with the electric utility's purchase of receivables. The discounted rate
123 for purchase of receivables shall be included in the tariff filed pursuant to this
124 subsection (c). The discount rate filed pursuant to this subsection (c) shall be
125 subject to periodic Commission review. The electric utility retains the right to
126 impose the same terms on retail customers with respect to credit and collection,
127 including requests for deposits, and retain the electric utility's right to disconnect
128 the retail customers, if it does not receive payment for its tariffed services or
129 purchased receivables, in the same manner that it would be permitted to if the
130 retail customers purchased power and energy from the electric utility. The tariff
131 filed pursuant to this subsection (c) shall permit the electric utility to recover from
132 retail customers any uncollected receivables that may arise as a result of the
133 purchase of receivables under this subsection (c), may also include other just and
134 reasonable terms and conditions, and shall provide for the prudently incurred
135 costs associated with the provision of this service pursuant to this subsection (c).
136 Nothing in this subsection (c) permits the double recovery of bad debt expenses
137 from customers.
138

139 (220 ILCS 5/16-118(c))(emphasis added). In other words, the statute requires ComEd to
140 provide a new tariffed service whereby a RES may, at its option, sell to ComEd
141 receivables for power and energy service for certain of its customers at a discount rate,
142 which is based on both the costs the utility incurs in setting up and administering the
143 program and historic bad debt.

144 In addition, the filing reflects various other tariff changes stemming from the
145 collaborative stakeholder workshop process conducted by the Office of Retail Market
146 Development (“ORMD Workshops”) and settlement discussions with certain
147 stakeholders.

148 **Q. What new tariffs and tariff revisions has ComEd proposed?**

149 **A.** As required by Section 16-118(c) of the PUA, ComEd has filed a new rider, Rider
150 PORCB, which includes the provisions under which ComEd purchases receivables from
151 RESs for the electric power and energy supply service provided by such RESs to certain
152 retail customers and provides for the recovery of the costs ComEd incurs in providing
153 service under Rider PORCB. As described in more detail later in this testimony,
154 proposed tariff revisions to Rider RCA and General Terms and Conditions are also
155 necessary to implement Section 16-118(c) of the PUA.

156 In addition, as discussed in more detail in the direct testimony of Mr. Mittelbrun,
157 ComEd proposes changes to its switching rules applicable to mass market customers,
158 which include all residential customers and other customers that establish demands for
159 electricity that do not exceed 100 kW. These changes, which are reflected in Rate BES,
160 Rate BESH, Rate RDS, Rate RESS and Rate MSPS, will facilitate the orderly switching
161 of large numbers of customers as the competitive market becomes more robust and will
162 provide additional customer protections. My colleague will also address the proposed
163 revisions to Rider SBO.

164 **Q. Does ComEd’s tariff filing reflect the input of, or collaboration with, stakeholders?**

165 A. Yes. As described by Mr. Mittelbrun in his direct testimony, ORMD began conducting
166 workshops in January 2008 concerning, among other things, the requirements of Section
167 16-118(c). Several of the changes proposed reflect the input obtained from this process,
168 as Mr. Mittelbrun explains.

169 The cost recovery mechanism itself was developed in cooperation with CUB, and
170 CUB and ComEd were able to reach an informal agreement as to how it should function.
171 Moreover, last fall, RESA, ICEA and ComEd began having settlement discussions with
172 RESs to narrow the issues in this proceeding and were also able to reach a formal
173 agreement on the discount rate and cost recovery mechanism and other terms and
174 conditions (ComEd Ex. 1.3), as I will discuss further. Ultimately, ComEd was able to
175 strike a balance between CUB and RESA and ICEA on several aspects of this filing.
176 ComEd Rider PORCB filing therefore reflects a remarkable degree of consensus and
177 collaboration at the outset.

178 Q. **Is there Commission precedent for the cost recovery mechanism proposed by**
179 **ComEd in the instant proceeding?**

180 A. Yes. After several months of workshops, the first electric utilities to file a proposed
181 purchase of receivables program under Section 16-118(c) of the PUA were the Ameren
182 Illinois Utilities (“AIU”), and the Commission approved its program on August 19, 2009.
183 (*See generally* ICC Docket Nos. 08-0619, 08-0620, & 08-0621 (Cons.), Order (August
184 19, 2009)). As I will discuss further in my testimony, ComEd’s proposed recovery
185 mechanism reflects the two main features of the cost recovery mechanism approved for
186 AIU – and was, in part, the model for what was approved in that case.

187 **A. Purpose and Applicability**

188 **Q. What is the purpose of Rider PORCB?**

189 **A.** Rider PORCB serves two purposes. First, as stated in the Purpose section of Rider
190 PORCB (ComEd Ex. 1.1 at Sheet No. 393), the rider is designed to provide a combined
191 service offering to RESs:

192 The purpose of this rider is to allow a RES the option to have the
193 Company (a) purchase such RES's receivables for the electric
194 power and energy supply service provided by such RES to
195 residential retail customers and other retail customers that establish
196 demands for electricity that are less than four hundred kilowatts
197 (400 kW) in accordance with Section 16-118(c) of the Public
198 Utilities Act (Act); and (b) produce consolidated bills for such
199 retail customers that reflect the Company's charges for electric
200 delivery service and the charges associated with such receivables
201 so that the Company may collect such charges from such retail
202 customers.

203 Put simply, Rider PORCB provides the terms by which ComEd purchases receivables
204 from RESs and then reflects those charges on customers' bills whose receivables have
205 been purchased by ComEd. Rider PORCB also sets forth the terms and conditions of
206 such service (*see* ComEd Ex. 1.1 at Sheet Nos. 394-396 and 400-403), which Mr.
207 Mittelbrun will address with one exception.

208 Second, Rider PORCB also provides the recovery of the costs ComEd incurs in
209 providing service to RESs under the rider:

210 This rider also provides the methodology and terms under which
211 the Company is provided with full recovery of the costs it incurs to
212 provide service under this rider. Ultimately, all such costs are to
213 be recovered from the RESs taking service under this rider. To the
214 extent that such costs are not initially recovered from such RESs,
215 such costs are recovered from residential retail customers and other
216 retail customers that establish demands for electricity that are less
217 than 400 kW. (ComEd Ex. 1.1 at Sheet No. 393).

218

219 Rider PORCB establishes the discount rate and, along with the proposed revisions
220 to Rider RCA, establishes a rate mechanism that provides for the recovery of the costs
221 that ComEd has incurred and will incur to provide service under the rider. The primary
222 purpose of this testimony is to describe and support the discount rate, cost recovery
223 mechanism and related terms and conditions.

224 **B. Discount Rate and Cost Recovery**

225 **Q. When will PORCB service be available to RESs?**

226 **A.** As reflected in Rider PORCB, RESs will be allowed to begin enrolling customers
227 through DASRs beginning December 1, 2010. (See ComEd Ex. 1.1 at Sheet Nos. 393
228 and 401). PORCB service effectively will begin with the next normally scheduled meter
229 reading or billing cycle date, which represents the beginning date of the first monthly
230 billing period for which ComEd will purchase receivables and issue bills. Thus, the first
231 purchase of receivable and billings under Rider PORCB could occur as early as the
232 January 2011 monthly billing period.

233 **Q. What customers may a RES enroll in Rider PORCB?**

234 **A.** RESs may enroll “residential retail customers and non-residential retail customers with a
235 non-coincident peak demand of less than 400 kilowatts,” as set forth in Section 16-118(c)
236 of the PUA. (See ComEd Ex. 1.1 at Sheet No. 400).

237 **Q. How does ComEd propose to recover the costs associated with the purchase of**
238 **receivables from RESs?**

239 A. ComEd proposes to recover the costs associated with the purchase of receivables through
240 a combination of tracking rider mechanisms set forth in Rider PORCB (*see* ComEd Ex.
241 1.1 at Sheet Nos. 397-399) and Rider RCA (ComEd Ex. 1.2). ComEd will begin to
242 recover some of its costs directly from RESs through the application of the discount rate
243 set forth in Rider PORCB as soon as customers are enrolled in PORCB. ComEd expects
244 to begin recovering the rest of its costs beginning in the April, 2011 monthly billing
245 period from all customers with demands under 400 kW, including residential, non-
246 residential and lighting customers, through an adjustment to the fixed monthly Customer
247 Charge, as set forth in Rider RCA.

248 However, as I explain later in this testimony, all of the costs associated with the
249 purchase of receivables from RESs ultimately will be recovered from RESs to the extent
250 PORCB usage reaches threshold levels. That is, to the extent PORCB is sufficiently
251 utilized, the RESs using PORCB service will reimburse customers with demands under
252 400 kW for the costs they have borne. In essence, these two rider mechanisms, working
253 in concert, will allocate and reallocate both costs and revenues between RESs and all
254 customers with demands under 400 kilowatts, while providing ComEd with nothing more
255 than dollar-for-dollar cost recovery in a somewhat timely, albeit protracted, manner.

256 As I previously mentioned, this recovery mechanism, while seemingly novel,
257 actually is not unique in Illinois, as a cost tracking rider with dual charges to both RESs
258 and customers with demands under 400 kW and a reimbursement feature was approved
259 for use by the Ameren Illinois Utilities (“AIU”) to recover their PORCB costs just last
260 year. Indeed, the circumstances that necessitate such a mechanism are virtually the same.

261 **Q. What are the circumstances that necessitate and inspired such a cost recovery**
262 **mechanism?**

263 **A.** First and foremost, the uncertainty surrounding just how many customers may be
264 enrolled on the new and optional PORCB service complicates the traditional rate setting
265 process considerably. Normally, the rate setting process is a relatively straightforward
266 mathematical calculation (*i.e.*, divide cost by the applicable billing determinants). When
267 both the costs and billing determinants for mandatory services are relatively certain and
268 constant, a rate that approximates and recovers costs can be established. With respect to
269 PORCB service, however, the number of customers that could be enrolled at any given
270 point in time can vary from zero to roughly 3.8 million (which represents the total
271 number of customers RESs may enroll in PORCB). This uncertainty alone warrants the
272 tracking rider aspect of the proposed recovery mechanism. Indeed, ComEd is anxious to
273 see how rapidly usage will ramp up over time and whether PORCB will be a catalyst for
274 opening the untapped residential market.

275 Second, from a ratemaking perspective, an allocation of all of such costs to the
276 RESs that use the service is consistent with traditional ratemaking principles (*i.e.*, the
277 allocation of costs to cost causers). Indeed, the Commission appears to have reached the
278 same conclusion in the AIU case. (*See* ICC Docket 08-0619/08-0620/08-0621 (cons.),
279 Order at 23 (August 19, 2009)). In light of this cost recovery objective and the
280 uncertainty noted previously, the cost recovery mechanism employed must therefore be
281 able to address contingencies where RES usage of PORCB does not reach threshold
282 levels for a sustained period of time in order for ComEd to fully recover from RESs the
283 costs of providing PORCB service. Barring the imposition of onerous contractual

obligations upon RESs, the solution arrived upon is a tracking rider with dual charges to RESs and customers with demands under 400 kW and a reimbursement feature.

Unfortunately, the challenges do not end with the foregoing. While the law and traditional ratemaking practices might both require that the cost of PORCB service be allocated to, and recovered from, RESs through the discount rate, the reality is that neither can be accomplished to the extent the discount rate is set too high. Indeed, a rate for an optional service that is unaffordable to RESs would be self-defeating because the service will never be used and, therefore, the costs will never be fully recovered from RESs. Thus, ComEd sought and obtained input from the RES community as to where to set the discount rate, which it gratefully received.

Of course, setting charges in this fashion does not necessarily result in a charge that is cost based at any given point in time -- nor could it be, as (again) the uncertainty surrounding the usage levels of PORCB service by RESs renders traditional ratemaking approaches ineffective. However, when coupled with the cost and revenue tracking mechanisms previously described, it is designed to be cost based over time and ultimately recover all costs associated with implementation and the provision of PORCB service from the RESs using this service. Thus, the mechanism strikes a fair balance for all parties concerned.

Q. Has ComEd reached any agreement with parties regarding its proposed discount rate and the cost recovery mechanism?

A. Yes. As previously indicated, the cost recovery mechanism itself was developed in cooperation with CUB, and CUB and ComEd were able to reach an informal agreement

as to how it should function. Moreover, RESA, ICEA and ComEd were also able to reach a formal agreement on the cost recovery mechanism and, more importantly, the discount rate. (See ComEd Ex. 1.3). I address where these agreements come into play further in the following sections of this testimony.

Q. Is ComEd's proposed cost recovery mechanism generally consistent with the ones approved for the AIU in Docket Nos. 08-0619, 08-0620 and 08-0621 (cons.)?

A. Yes. ComEd's cost recovery mechanism reflects the two main features of the cost recovery mechanism approved for the AIU. While AIU initially proposed a traditional cost tracking rider that split recovery of its PORCB costs between RESs and customers with demands under 400 kW, CUB's proposal to also reimburse customers with demands under 400 kW and ultimately recover such costs from RESs through the discount rate ultimately also was approved. (See ICC Docket 08-0619/08-0620/08-0621 (cons.), Order at 23 (August 19, 2009); CUB Ex. 2.0(Corrected)). Ironically, it is my understanding that CUB modeled its proposal in that case on the cost recovery mechanism developed in cooperation with ComEd and presented in this proceeding.

Q. Turning now to the discussion of the cost recovery mechanism itself, what is the discount rate and what costs are recovered through the application of such rate?

A. Consistent with the requirements of Section 16-118(c), Rider PORCB establishes a two-part discount rate applicable to the receivables it purchases from RESs, which incorporates (1) a percentage reduction for the recovery of uncollectible costs associated with the purchased receivables that is based on ComEd's historic bad debt rate and (2) a fixed, \$0.50 per bill charge for the recovery of start-up and administrative costs associated with ComEd's purchase of receivables.

329 **1. Recovery of Uncollectibles Associated with the Purchase of**
330 **Receivables**

331 **Q. How will ComEd determine the percentage reduction for the recovery of**
332 **uncollectible costs associated with the purchased receivables?**

333 **A.** As shown in Rider PORCB (ComEd Ex. 1.1 at Sheet No. 397), ComEd proposes to apply
334 the same supply-related uncollectible cost factors set forth in Rider UF – Uncollectible
335 Factors (ILL. C.C. No. 10, Second Revised Sheet No. 267 *et seq.*)(“Rider UF”) that it
336 applies to its own supply charges (*i.e.*, Purchased Electricity Charges) under Rate BES
337 (ILL. C.C. No. 10, Original Sheet No. 10 *et seq.*), ComEd’s fixed price bundled electric
338 service tariff. Rider UF establishes two separate supply-related uncollectible cost factors,
339 the base uncollectible cost factor and the incremental uncollectible cost factor, for each of
340 three distinct customer groupings, residential customers; nonresidential customers to
341 which the Watt-Hour Delivery Class, Small Load Delivery Class, Medium Load Delivery
342 Class, or Large Load Delivery Class is applicable; and all other customers (*e.g.*,
343 nonresidential customers with demands in excess of 1,000 kW or served from high
344 voltage lines, and lighting customers). The applicable supply-related uncollectible cost
345 factors will be applied to develop the discount rate in Rider PORCB based on the
346 delivery class of the customer whose receivables are purchased by ComEd. Furthermore,
347 because the applicable incremental supply uncollectible cost factors in Rider UF, and in
348 turn, ComEd’s supply charges will be updated annually for application beginning with
349 the June monthly billing period (*see* ILL. C.C. No. 10, 1st Revised Sheet No. 267.13 and

2nd Revised Sheet No. 21), the percentage reduction reflected in the discount rate also will be updated annually during the June billing period.¹

Q. Why is it appropriate to link the historic bad debt rates used in setting ComEd's supply charges with those used in the PORCB discount rate?

A. The direct linkage between the uncollectible cost factors reflected in ComEd's supply charges and the PORCB discount rate will help avoid creating any artificial barriers to customers switching to RES supply via PORCB and over or undercharging RESs for uncollectibles that might otherwise occur, if such a linkage is not set.

Q. With respect to the discount rate formula, why is there a vague reference to revisions that might be made "in compliance with Section 16-111.8" of the PUA? (See ComEd Ex. 1.1 at Sheet No. 397).

A. The revisions to Rider UF that created incremental supply uncollectible cost factors were still pending before the Commission in Docket No. 09-0433 at the time of the PORCB filing. Therefore, in defining the Uncollectible Factor ("UF_C") term, ComEd was not permitted to employ a more specific reference to the relevant factors in Rider UF in its January 19, 2010 filing.

Q. Has ComEd developed alternative language that would add more specificity to the definition of UF_C?

A. Yes. ComEd proposes the following revisions to the definition of UF_C in Rider PORCB (ComEd Ex. 1.1 at Sheet No. 397):

¹ The base uncollectible cost factors in Rider UF are subject to change only in conjunction with Commission orders in rate cases. To the extent that base uncollectible cost factors change at the conclusion of a rate

Uncollectible Factor, in decimal format, equal to (a) base uncollectible cost factor (BUF) listed in Rider UF - Uncollectible Factors (Rider UF) for the customer designation applicable to such retail customer, c, multiplied by (b) the incremental supply uncollectible cost factor (ISUF) determined for application beginning with a June monthly billing period in accordance with provisions in Rider UF for the customer designation applicable to such retail customer, c. UF_Cs are generally computed once each year for application beginning with a June monthly billing period and extending through the following May monthly billing period. However, in the event that BUFs listed in Rider UF are revised, the UF_Cs must be revised to reflect such revised BUFs. ~~the uncollectible cost factor for the customer designation applicable to such retail customer, c, determined in accordance with provisions in Rider UF - Uncollectible Factors (Rider UF). Notwithstanding the previous provisions of this definition, in the event that Rider UF is revised in compliance with Section 16-111.8 of the Act, UF_C is determined in a manner that provides for the recovery of uncollectible costs consistent with the manner in which the Company is allowed to recover uncollectible costs associated with the supply of electric power and energy.~~

This language mirrors the language set forth in ComEd's Rate BES (*see* ILL. C.C. No. 10, 2nd Revised Sheet No. 21) for the applicable time period. As a courtesy to ORMD Workshop participants that have intervened in this proceeding, note that these proposed changes were also included in ComEd's last distribution of its PORCB filing on September 15, 2009, except for the additional clarification associated with changes to the base uncollectible cost factors.

Q. When will the relevant uncollectible cost factors in Rider UF that will be used to determine the percentage reduction portion of the initial discount rate be established?

A. While the BUFs are set forth in Rider UF, and are changed only at the conclusion of rate cases, the first set of ISUFs that will be employed in determining the initial PORCB discount factors will be filed on or before May 20, 2010. Therefore, the percentage

case, the revised factors will begin to be employed in developing the discount rate determined in accordance with the provisions in Rider PORCB.

reduction for the recovery of uncollectible costs that will be included in the discount rate that will be in effect at the end of the year is not yet known, but will be known by May 20, 2010.

2. Recovery of Startup and Administrative Costs Associated with the Purchase of Receivables

Q. What types of startup and administrative costs does ComEd anticipate incurring to provide service under Rider PORCB?

A. In general, ComEd anticipates incurring developmental, implementation, administrative, uncollectible and operation costs associated with the implementation of Rider PORCB. These costs are addressed more specifically by Mr. Mittelbrun (ComEd Ex. 2.0).

Q. Does ComEd categorize these costs in any way for cost recovery purposes?

A. Yes. As reflected in Rider PORCB (ComEd Ex. 1.1 at Sheet No. 397), ComEd separates these costs into two categories for cost recovery purposes: (1) costs associated with purchasing RESs' receivables under Rider PORCB and (2) costs associated with modifying ComEd's billing systems to enable it to reflect on its bills the charges associated with the receivables purchased from RESs. These categories are further separated between operating and maintenance ("O&M") expense and capital investments, as reflected in the following excerpts from PORCB:

Costs Related to the Purchase of Receivables

- Developmental and Implementation Costs ("DICs"): represent "costs incurred by the Company to develop and implement the systems and procedures required to [purchase receivables under Rider PORCB]"
- Administrative and Operations Costs ("AOCs"): represent "(1) the ongoing costs expected to be incurred by the Company [in purchasing

423 receivables under Rider PORCB] and (2) the net actual uncollectible costs
424 associated with the purchased receivables”

425 *Costs Related to Billing System Modifications*

- 426 • Billing System Modification and Implementation Costs (“BSMICs”):
427 represent “costs incurred by the Company to modify its billing systems to
428 enable it to reflect on its bills the charges associated with the receivables
429 purchased from RESs [under Rider PORCB]”
- 430 • Billing System Administrative and Operations Costs (“BSAOCs”):
431 represent “the ongoing costs expected to be incurred by the Company that
432 are related to modifications of its billing systems to enable it to reflect on
433 applicable retail customer bills the charges associated with the receivables
434 purchased from RESs [under Rider PORCB]”

435 The changes associated with the modifications to ComEd’s billing systems,
436 including current cost estimates, are described in more detail in the direct testimony of
437 Mr. Mittelbrun (ComEd Ex. 2.0).

438 **Q. What are the current estimates for the costs related to the purchase of receivables**
439 **and billing system modifications?**

440 **A.** As described in Mr. Mittelbrun’s direct testimony (ComEd Ex. 2.0), ComEd currently
441 estimates that the costs related to the purchase of receivables (DICs and AOCs, exclusive
442 of any net uncollectibles) will be approximately \$3.2 million and the costs related to the
443 billing system modifications (BSMICs and BSAOCs) are estimated to be \$12.6 million.
444 In addition, ComEd currently projects a total of roughly \$50,000 for operational and
445 maintenance expenses per year, which also are described in more detail in Mr.
446 Mittelbrun’s testimony.

447 **Q. What is the relevance of this categorization to cost recovery?**

448 A. The categorization is used to determine which costs are initially allocated for rate setting
449 and cost recovery purposes to RESs (through the discount rate in Rider PORCB) and to
450 customers with demands under 400 kW (through Rider RCA). Nevertheless, as stated in
451 the Purpose section of Rider PORCB, “[u]ltimately, all such costs are to be recovered
452 from the RESs taking service under this rider.” (ComEd Ex. 1.1 at Sheet No. 393).

453 Q. **How will the costs associated with purchasing RESs’ receivables under Rider**
454 **PORCB (*i.e.*, DICs and AOCs) be allocated and recovered?**

455 A. Under Rider PORCB, ComEd will initially allocate and attempt to recover costs
456 associated with purchasing RESs’ receivables under Rider PORCB (*i.e.*, DICs and
457 AOCs) from RESs through the fixed, \$0.50 per bill charge portion of the discount rate.
458 This charge will remain in effect through the initial three-year POR Application period
459 (specifically, the January, 2011 through December, 2013 monthly billing periods). The
460 extent to which ComEd actually recovers these costs during the initial three-year POR
461 Application Period is dependent on the number of customers enrolled under PORCB
462 service by RESs. Based on the current cost estimates presented by Mr. Mittelbrun, I
463 estimate that roughly 2.9 million bills would have to be billed under Rider PORCB
464 during the three-year period in order to recover these costs.

465 In the event ComEd does not fully recover these costs during the period through
466 the application of the \$0.50 per bill charge, the balance of the costs will be reflected in
467 the Purchase of Receivables Adjustment (“POR Adjustment”) set forth in Rider RCA
468 during the second POR Application Period, which is a two-year period. (See ComEd Ex.
469 1.2 at Sheet Nos. 257-257.1). The POR Adjustment will be applied to the fixed, monthly
470 Customer Charge applicable to all customers with demands under 400 kW, including

residential and lighting customers, beginning with the April 2014 monthly billing period. In calculating the POR Adjustment, no carrying costs will be applied to the amounts under-recovered from RESs in one POR Application Period and essentially reallocated to customers with demands under 400 kW in the subsequent POR Application Period. If after five years, usage of Rider PORCB continues to lag behind the costs ComEd incurs to purchase receivables during the subsequent POR Application Period, this process will repeat itself.

On the other hand, if PORCB usage begins to outpace the cost incurred to purchase receivables during subsequent POR Application Periods, the net difference will be credited to customers with demands under 400 kW through either the POR Adjustment (in the event such customers had borne shortfalls in the recovery of such costs during previous POR Application Periods) or the Consolidated Billing Adjustment (“CB Adjustment”), as discussed later. (See ComEd Ex. 1.1. at Sheet No. 39; ComEd Ex. 1.2 at Sheet Nos. 257.2 –257.3). It is under this scenario that Rider PORCB and Rider RCA combine to provide customers with demands under 400 kW credits or refunds of any of these costs that these customers are required to bear – temporarily, if PORCB is sufficiently utilized by RESs.

Q. How will the costs incurred to enable ComEd to bill the charges associated with the receivables purchased from RESs (i.e., BSMICs and BSAOCs) be allocated and recovered?

A. Under the proposed revisions to Rider RCA, ComEd will initially allocate and recover the costs incurred to enable ComEd to bill the charges associated with the receivables purchased (i.e., BSMICs and BSAOCs) from all customers with demands under 400 kW,

including residential and lighting customers, through the CB Adjustment. (*See* ComEd Ex. 1.2 at Sheet Nos. 257.2 –257.3). The earliest that the CB Adjustment can be applied to the fixed, monthly Customer Charge applicable to such customers is the April 2011 monthly billing period.

These charges will continue to be applied to customers into subsequent two-year POR Application Periods unless and until PORCB usage during a POR Application Period results in revenues from the application of the \$0.50 per bill charge exceeds (1) costs associated with purchasing RESs' receivables under Rider PORCB (*i.e.*, DICs and AOCs) incurred during the POR Application Period and (2) any such costs that were reallocated to, and borne by, customers with demands under 400 kW through the POR Adjustment. In that event, any over-recoveries stemming from the application of the \$0.50 per bill charge will be used to reduce the CB Adjustments – or, in other words, to begin repaying all customers with demands under 400 kW for the costs they have incurred or will incur to enable the billing system charges associated with the receivables purchased from RESs. (*See* ComEd Ex. 1.2 at Sheet No. 398).

Based on the current cost estimates presented by Mr. Mittelbrun, I estimate that roughly 13.3 million bills would have to be billed under Rider PORCB during the initial three-year POR Application Period in order to reimburse customers with demands under 400 kW for the costs incurred during that period beginning in the second, two-year POR Application Period.

Q. How would you summarize the foregoing discussion?

515 A. To put the foregoing description of the cost recovery mechanism more simply, the
516 revenues received from RESs through the \$0.50 charge are first applied to the costs
517 associated with the purchase of receivables (*i.e.*, DICs and AOCs) and, if there are any
518 extra revenues associated with the \$0.50 charge, to the costs for the billing system
519 changes (*i.e.*, BSMICs and BSAOCs) that will be charged to customers with demands
520 under 400 kW.

521 **Q. How did ComEd arrive at a fixed \$0.50 per bill charge included in the discount**
522 **rate?**

523 A. The \$0.50 per bill charge was the product of settlement discussions with ICEA and
524 RESA (*see* ComEd Ex. 1.3) and CUB. From ComEd's perspective, the amount
525 represents an attempt to strike a balance between full and somewhat timely cost recovery
526 and a discount rate that is not so high as to make RESs' participation under Rider
527 PORCB cost prohibitive and or make full cost recovery from RESs doubtful.

528 **Q. Will the \$0.50 per bill charge ever be changed?**

529 A. As proposed, the \$0.50 per bill charge embedded in the discount rate will remain in effect
530 until all costs (*i.e.*, DICs, AOCs, BSMICs and BSAOCs), including reimbursements for
531 any portion of such costs borne by customers with demands under 400 kW, are recovered
532 from the RESs taking service under Rider PORCB, after which the amount may be
533 reduced. (*See* ComEd Ex. 1.1 at Sheet No. 399). However, it is conceivable that this and
534 other provisions of Rider PORCB may be revisited before this occurs.

Q. Why does ComEd seek cost recovery for PORCB-related start-up and administrative costs, whether temporarily or permanently, from customers with demands under 400 kW?

A. ComEd seeks some level of recovery (depending ultimately on PORCB usage levels) from these customers in light of the express limitation of PORCB service “to residential retail customers and non-residential retail customers with a non-coincident peak demand of less than 400 kilowatts” set forth in Section 16-118(c) of the PUA. Considering that PORCB is a state-mandated service offering that is presumably intended to promote, and extend the benefits of, competition to these customers, some level of general cost recovery from these customers is appropriate.

C. Calculation of Costs

Q. With respect to ComEd’s capital investments (i.e., DICs and BSMICs), what amortization period will ComEd employ?

A. It is my understanding that the capital investments that ComEd has made and will continue to make during the course of this proceeding are all related to information technology (“IT”) and that IT-related investments are normally amortized over a period of five years. However, as reflected in Rider PORCB (ComEd Ex. 1.1 at Sheet No. 397), ComEd proposes to use a ten-year amortization period for cost recovery purposes in this case (and this case only).

Q. Was the ten-year amortization a product of settlement discussions?

A. Yes. The ten-year amortization period is another product of ComEd’s pre-filing discussions with CUB. A ten-year period will lower the costs that customers with demands under 400 kW will incur through application of both the CB Adjustment and

POR Adjustment in Rider RCA and provide more time for RESs to ramp up their use of PORCB service and begin covering the entire costs of this service through the \$0.50 per bill charge. A ten-year amortization period was also a part of the overall cost recovery mechanism upon which RESA, ICEA and ComEd reached agreement, as reflected in ComEd Exhibit 1.3.

Q. How will ComEd calculate the costs (*i.e.*, BSMICs and BSAOCs) for purposes of determining the CB Adjustment?

A. With respect to capital investments, ComEd proposes to use the sum of the annual revenue requirement equivalents of the BSMICs, amortized over a ten-year period at the most recent weighted average cost of capital approved by the Commission, over the three or two year POR Application Period. ComEd expects all of the initial IT-related capital investments required to provide PORCB service to be made before April 2011. Furthermore, with respect to O&M expenses, ComEd propose to employ estimates of expected BSAOCs over the three or two year POR Application Period.

Q. How will ComEd calculate the costs (*i.e.*, DICs and AOCs) for purposes of determining the POR Adjustment?

A. ComEd proposes to calculate costs in the same manner as calculated for the determination of the CB Adjustment, with the exception of O&M costs (AOCs), which will be actual (not estimated) at the time a POR Adjustment is determined.

Q. Are any of these costs already being recovered through ComEd's base rates?

578 A. No. Because this is a new, State-mandated service, all the costs that ComEd is seeking to
579 recover represent new, incremental costs that are not currently reflected in ComEd's
580 revenue requirement.

581 **D. Commission Review and Reconciliation**

582 **Q. What process is ComEd proposing for the review of the costs incurred and revenues**
583 **recovered under Rider PORCB and Rider RCA?**

584 A. Rider PORCB establishes a Commission reconciliation process that reflects the major
585 features commonly implemented for the oversight of tracking riders, including: (1)
586 submission of a verified internal audit report that examines such matter as (a) the costs
587 recovered through the riders to confirm that there is no double-recovery and (b) the
588 computation, statement, determination and application of the discount rate and POR and
589 CB Adjustments; (2) a Commission-initiated proceeding to reconcile costs and revenues,
590 review the costs incurred, and order adjustments to correct errors in, and improperly
591 applied, POR and CB Adjustments. (*See* ComEd Ex. 1.1 at Sheet No. 399)

592 In an effort to establish a reconciliation process that is not overly burdensome,
593 Rider PORCB schedules the first reconciliation process to occur after the initial three-
594 year POR Application Period and sets a two-year cycle for reconciliations occurring
595 thereafter.

596 **Q. Does Rider PORCB require any interim reporting, between reconciliation cycles?**

597 A. No.

598 **Q. Would ComEd be willing to provide interim reports to the Commission and**
599 **Commission Staff?**

A. Yes. However, ComEd would seek to work with Staff to develop the content for such reports so that it meets the Commission and Staff's needs.

E. Terms and Conditions

Q. Does Rider PORCB impose any other restrictions on the accounts receivable a RES may sell to ComEd?

A. Yes. In addition to the statutory limitation of service to customers with demands under 400 kW, Rider PORCB imposes an "all-in" restriction with respect to residential customers. Specifically, Rider PORCB provides that if a RES elects to have ComEd purchase the receivables of a residential customer, then the RES must sell ComEd the receivables for all of its residential customers. (*See id* at Sheet Nos. 400-401). In other words, a RES cannot elect to sell the receivables for just some of its residential customers to ComEd; it must sell the receivables for all its residential customers or none at all. In addition, if a RES terminates PORCB service for its residential customers, it must wait twelve months before it can seek to enroll residential customers in PORCB again. After the twelve-month period, the RES also must provide notice to ComEd of its intent to file DASRs to enroll its residential customers at least sixty days in advance of such DASRs.

However, with respect to nonresidential customers, a RES may use PORCB for whichever customers it chooses. That is, the aforementioned all-in restriction does not apply to nonresidential customers.

Q. What is the purpose of the all-in provision?

A. The all-in provision is designed to encourage use of Rider PORCB service, especially with respect to the residential market in northern Illinois, where there is virtually no

switching activity today. Encouraging use of Rider PORCB facilitates cost recovery from the RESs using the service and, in turn, minimizes the costs that customers with demands under 400 kW must bear. Moreover, these “all-in” provision helps prevent a RES from selecting for the utility’s purchase only those receivables that are at a high risk for collection, which is a concern that has been expressed in the ORMD Workshop process and elsewhere.²

Q. Does applying the all-in provision to (only) residential customers reflect a compromise?

A. Yes, it does – on both the RESs’ and ComEd’s parts. As shown in ComEd Ex. 1.3, ICEA, RESA, and ComEd were able to reach an agreement on this matter before ComEd filed Rider PORCB. In essence, ICEA and RESA have agreed to revisit this issue once total PORCB usage reaches 150,000 bills per month. Furthermore, in light of how the application of an all-in provision affects cost recovery and other concerns, CUB and ComEd were able to maintain their agreement (albeit less formal) on this matter as well.

Q. Does Rider PORCB allow ComEd to place applicable charges on the electric service bills of customers whose receivables are sold to ComEd by a RES?

A. Yes. Rider PORCB codifies the authority granted to ComEd under Section 16-118(c) of the PUA. (See ComEd Ex. 1.1 at Sheet No. 396).

IV. General Terms and Conditions

² For example, Commission Staff witness Dr. Eric P. Schlaf noted: “I also have concerns that the POR feature of UCB might encourage RESs to market heavily to customers who cannot meet typical credit standards, because the utility and its customers would be responsible for any bad debts that would be incurred by customers that ultimately do not pay their bills, rather than RESs.” (ICC Docket No. 05-0597, Staff Ex. 20.0, 11:248-252).

641 **Q. In addition to Rider PORCB and Rider RCA, are there any other tariffs that were**
642 **revised to address cost recovery?**

643 **A.** Yes. ComEd is also proposing pertinent revisions to its General Terms and Conditions.

644 **Q. What are ComEd's General Terms and Conditions?**

645 **A.** ComEd's General Terms and Conditions are tariff provisions generally applicable to all
646 tariffs included in ComEd's Schedule of Rates, to electric service provided by ComEd,
647 and to retail customers located in ComEd's service territory.

648 **Q. What is the purpose of ComEd's proposed modifications to its General Terms and**
649 **Conditions?**

650 **A.** The purpose of ComEd's proposed modifications to its General Terms and Conditions is
651 to codify the authority granted to ComEd under Section 16-118(c) of the PUA, which
652 allows ComEd to disconnect electric service to participants that default on the payment of
653 charges for the receivables that ComEd purchases from RESs. Of course, electric service
654 disconnection will only be undertaken in conformance with the relevant provisions of
655 Part 280 of the Commission's rules (83 Ill. Adm. Code Part 280) and the PUA. (*See*
656 *ComEd Exhibit 1.4*). In addition, ComEd proposes to modify existing provisions
657 concerning the disconnection of customers receiving power and energy supply from a
658 RES that bills for ComEd's delivery service under SBO service in order to harmonize the
659 disconnection provisions.

660 These modifications are in accordance with the law and should be approved by
661 the ICC.

662 **V. Rate BES, Rate BESH, Rate RDS, Rate RESS and Rate MSPS**

663 **Q. What is the purpose of the changes proposed to Rate BES, Rate BESH, Rate RDS,**
664 **Rate RESS and Rate MSPS (ComEd Exs. 1.5, 1.6, 1.7, 1.8 and 1.9)?**

665 **A.** As described in more detail in the direct testimony of Mr. Mittelbrun (ComEd Ex. 2.0),
666 ComEd proposes revisions to Rate BES, Rate BESH, Rate RDS, Rate RESS and Rate
667 MSPS in order to update the rules pertaining to switching electric power and energy
668 suppliers and open access in the electricity market that are applicable to mass market
669 customers. The proposed changes to the switching rules will provide for the orderly
670 switching of large numbers of customers in the event the that competition for the 3.7
671 million customers that comprise the mass market becomes more robust as a result of the
672 provision of PORCB service. In addition, these proposed changes also enable the
673 establishment of a process for the rescission of switching requests before they are
674 effectuated.

675 **Q. What is a “rescission”?**

676 **A.** Rescission refers to the cancellation of a pending DASR prior to the effective date
677 associated with the DASR. The cancellation occurs after a DASR to switch such
678 customer has been submitted by the RES, but before the switch is effectuated. ComEd
679 proposes to codify its current business rules allowing RESs to rescind in it tariffs and
680 extend this ability to mass market customers. Allowing mass market customers to
681 rescind through direct notice to ComEd represents a new tariffed service to shopping
682 customers that ComEd has not offered heretofore.

683 Rescission is a requirement of the Staff proposed rules in the new Part 412
684 (Obligations of Retail Electric Suppliers) rulemaking. (*See, e.g.,* ICC Docket No. 09-
685 0952, Staff Report On Proposed Part 412: Obligations Of Retail Electric Suppliers,

686 Pursuant To The Commission's Order (Aug. 19, 2009) In Docket Nos. 08-
687 0619/0620/0621 (cons.)).

688 **Q. What are the proposed terms and conditions of the proposed rescission process set**
689 **forth in Rate BES, Rate BESH, Rate RDS and Rate MSPS?**

690 **A.** Mass market customers, the RES, or the Company may rescind provided that ComEd
691 receives notification at least five calendar days before the effective date of the switch.
692 With respect to other customers, only the RES or the Company may rescind with such
693 five calendar days notice. (See ComEd Ex. 1.5 at Sheet No. 27; ComEd Ex. 1.6 at Sheet
694 No. 44; ComEd Ex. 1.7 at Sheet Nos. 77.2). Furthermore, a Metering Service Provider
695 ("MSP") also may rescind a DASR to switch a customer to an alternative metering
696 service provider following the same five calendar day minimum notice requirements.
697 (See ComEd Ex. 1.9 at Sheet No. 116; ComEd Ex. 1.7 at Sheet Nos. 77.2).

698 **Q. Is the inclusion of a rescission provision applicable to mass market customers in**
699 **Rate BES the result of settlement discussions?**

700 **A.** Yes. The inclusion of a rescission provision for mass market customers is the result of an
701 agreement ComEd reached with CUB. Extending the ability to rescind directly to mass
702 market customers is intended to create a new consumer protection.

703 **Q. Does this complete your direct testimony?**

704 **A.** Yes